



Office of the Washington State Auditor  
Pat McCarthy

# Fraud Investigation Report

## Port of Whitman County

For the investigation period May 1, 2011 through May 13, 2021

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**Office of the Washington State Auditor  
Pat McCarthy**

June 13, 2022

Board of Commissioners  
Port of Whitman County  
Colfax, Washington

**Report on Fraud Investigation**

Attached is the official report on a misappropriation at the Port of Whitman County. On May 26, 2021, the Port notified the Office of the Washington State Auditor of a potential loss of public funds. This notification was submitted to us under the provisions of state law (RCW 43.09.185).

Our investigation was performed under the authority of state law (RCW 43.09.260) and included procedures we considered necessary under the circumstances.

If you are a member of the media and have questions about this report, please contact Director of Communications Kathleen Cooper at (564) 999-0800. Otherwise, please contact Special Investigations Program Manager Stephanie Sullivan at (360) 688-0858.

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy, State Auditor  
Olympia, WA

cc: Brenda Stav, Finance Director

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# FRAUD INVESTIGATION REPORT

## Background and Investigation Results

On May 26, 2021, the Port notified our Office regarding a potential loss of public funds, as state law (RCW 43.09.185) requires. The potential loss involved possible personal use of a Port fuel card.

In May 2021, during a reconciliation of fuel card activity, Port employees found inconsistencies between gallons of fuel purchased and the number of miles Port vehicles traveled in the previous year. More fuel had been purchased than could be reconciled to vehicle use. The Port initiated an investigation that focused on the fuel cards assigned to each of the four vehicles owned by the Port, concerned that perhaps an unknown card existed and had been used to buy fuel.

On May 7, 2021, the Port's Finance Director asked all staff to turn in all fuel cards. Maintenance staff turned in four cards. On May 13, the Port's Executive Director turned in an unexpected fifth fuel card. The Finance Director reviewed purchases associated with that card from May 2011 to May 2021, which totaled \$12,527, and noted multiple fuel card charges in Rosalia, Washington. This is not a location Port employees routinely visit for business purposes. However, the Executive Director traveled through Rosalia on his daily commute to and from the Port, and would at times use a work vehicle for this commute. The Finance Director noted that there were no fuel charges in Rosalia after the Executive Director turned in the fuel card in May 2021. On January 1, 2022, the Executive Director took up a different position at the Port.

The Port turned over its investigation files to us for review. We examined other purchases made on the Port's fuel cards and determined the card the Executive Director turned in had questionable fuel purchases totaling at least \$2,672, made between August 18, 2011 and April 7, 2021.

In February 2022, we interviewed the former Executive Director. He said that he sometimes became distracted after using the fuel card, and did not always remember to return the card to a Port vehicle after use. He said the card was only used to fuel a Port vehicle, which he would use to drive home when he had late meetings.

## Control Weaknesses

Internal controls at the Port were not adequate to safeguard public resources. We found weaknesses allowed the questionable fuel purchases to occur. Specifically, the Port assigned a fuel card to each of its four vehicles; however, the Port lacked an established policy or adequate procedures to monitor the use of government-owned vehicles and fuel cards. The Port did not:

- Establish guidelines for when an employee is allowed to take a Port-owned vehicle home to ensure it is only being used for official Port business.

- Maintain a log of fuel purchases, receipts or odometer readings to ensure purchases and usage are appropriate based on miles driven or hours used.
- Reconcile vendor invoices to specific fuel cards and vehicle usage.
- Perform a periodic inventory of fuel cards.

## Recommendations

We recommend the Port establish and follow adequate internal controls for monitoring fuel card purchases and vehicle usage. Specifically, the Port should:

- Establish and follow a written fuel card policy that incorporates all elements required to be in compliance with state law (RCW 43.09.2855), the BARS manual (3.8.4) for fuel card usage, and the IRS publication, *Taxable Fringe Benefit Guide: Federal, State, and Local Governments (February 2020)*, concerning when a government vehicle can be taken home.
- Retain and reconcile monthly the fuel receipts, fuel logs or odometer readings that include actual vehicle mileage to ensure fuel cards are used only to fuel Port vehicles for valid business purposes.
- Perform a periodic inventory of fuel cards.

## Port's Response

*The Port agrees with the recommendations provided by the auditor's office to establish and follow adequate internal controls for monitoring fuel card purchases and vehicle usage.*

*After identifying the potential loss of public funds took immediate steps to address its controls in this area. The Port adopted Resolution 21-07, Fuel Card Policy on June 3, 2021. It incorporates all elements required to be in compliance with state law (RCW 43.09.2855) and the BARS manual (3.8.4) for fuel card usage. The Port adopted Resolution 19-05, pertaining to the use of Port-owned vehicles, on April 18, 2019. It addresses the de minimis nontaxable personal use as described in IRS publication, *Taxable Fringe Benefit Guide: Federal, State, and Local Governments (February 2020)*, concerning when a government vehicle can be taken home. The Port is reviewing the Use of Port-owned Vehicles policy to ensure it incorporates all the elements in the IRS guide.*

*The Port retains and reconciles monthly the fuel receipts. The Fuel Card Policy requires that odometer readings be documented on each receipt. Those readings, and other purchase details, are tracked in a log to ensure fuel cards are used only to fuel Port vehicles for valid business purposes.*

*The Port performs a periodic inventory of fuel cards and the Fuel Card Policy specifies which Port employees are authorized to order and/or renew fuel cards.*

*The Port appreciates our relationship with the auditor's office and the work completed on this investigation and report.*

### **Auditor's Remarks**

We thank Port officials and personnel for their assistance and cooperation during the investigation. We will follow up on the Port's internal controls during the next audit.

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The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

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